



Amy G. Rabinowitz
Counsel

December 23, 2003

Mary L. Cottrell, Secretary
Dept. of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

**Re: D.T.E. Docket 99-60, Investigation by the Department of
Telecommunications and Energy on its own Motion into the Pricing and
Procurement of Default Service Pursuant to G.L. c. 164, § 1B(d).**

Dear Secretary Cottrell:

Pursuant to the Department's June 30, 2000 order in D.T.E. 99-60-B, Massachusetts Electric Company and Nantucket Electric Company (collectively, the "Companies") are submitting the results of their most recent solicitation for industrial Default Service and proposed retail rates for the industrial Default Service pricing options for the period February 1, 2004 through April 30, 2004. In general, the proposed industrial Default Service rates represent an increase from the respective Default Service rates currently in effect. I am also enclosing a motion for confidential treatment of the Companies' analysis of the default service bids, and am providing the confidential analysis itself to Hearing Officer Jeanne Voveris.

The Companies' current solicitation for industrial Default Service and resulting proposed rates comply with several recent Department orders in D.T.E. 02-40. In compliance with the Department's February 13, 2003 order in D.T.E. 02-40-A, the Companies requested Default Service bids for each of the three Reliability Zones ("Zones"), defined by ISO New England, in which the Companies provide Default Service. As discussed below, the Companies are proposing Default Service rates that differ by Zone for all industrial customers.

On November 18, 2003, the Companies issued a Request for Power Supply Proposal ("RFP") to supply the Companies' industrial Default Service needs. This procurement was intended to cover the Companies' entire industrial Default Service supply needs for the period February 2004 through April 2004. The RFP sought fixed price proposals, which could vary by calendar month, for the industrial customer group. Additionally, bidders were required to provide Zone-specific bids for the industrial customer group for each of the three Zones in which the Companies provide Default Service.

Consistent with the Companies' Default Service prices currently in effect, the proposed Default Service rates included in this filing include an estimate of the costs associated with the

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Companies' compliance with the Massachusetts Renewable Portfolio Standards ("RPS") that became effective on January 1, 2003. As set forth in the confidential analysis, the Companies are procuring RPS compliant certificates for a portion of their industrial Default Service load as part of this Default Service solicitation. The majority of the Companies' Default Service procurement under this solicitation does not include the purchase of RPS compliance certificates. In the past, the Department has preferred to include in Default Service rates a level of RPS costs indicative of the market for RPS. Therefore, the Companies have included in their Default Service rates for the entire industrial Default Service load the value of RPS compliance certificates that was reflected in the winning Default Service bid which included RPS compliance certificates. The Companies believe that this RPS procurement cost for a portion of their industrial Default Service load is a reasonable RPS cost proxy for the total Default Service load covered by this solicitation.

Attachment 1 to this filing contains the monthly industrial Default Service rates, including an estimate for the cost of RPS, for each of the three Zones for which the Companies sought bids. Attachment 2 contains the Companies' calculation of the industrial Default Service rates for the three-month fixed price option for the industrial customer group. Attachment 3 includes the revised tariff supplement to the Companies' Tariff for Default Service¹, containing the proposed fixed and variable Default Service rates for the period February 2004 through April 2004 for the industrial customer group. The Companies are proposing that these rates become effective for usage on and after February 1, 2004.

Thank you very much for your time and attention to the Companies' filing.

Very truly yours,



Amy G. Rabinowitz

cc: Service List

¹ Both Companies' Tariff for Default Service is M.D.T.E. No. 1041.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
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ATTACHMENT 1

**Massachusetts Electric Company
Nantucket Electric Company**

**Default Service Prices (cents per kWh at retail)
Industrial: February 2004 - April 2004**

Customer Group	Contract Month	1	2	3
	Calendar Month	2	3	4
	Year	2004	2004	2004
Industrial				
SEMA		7.378	6.054	6.088
WCMA		7.346	6.921	5.686
NEMA		7.679	7.289	6.075
Portion of load served		100%	100%	100%

Footnotes

1) Monthly prices calculated as the average cost of supply (converted to retail delivery) in a confidential submission under separate cover.

MASSACHUSETTS ELECTRIC COMPANY
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ATTACHMENT 2

**Massachusetts Electric Company
Nantucket Electric Company**
Summary of Proposed Default Service Charges
February 2004 - April 2004

		Zonal Default Service Charges		
		NEMA	SEMA	WCMA
		Industrial	Industrial	Industrial
		<u>(G-2, G-3)</u>	<u>(G-2, G-3)</u>	<u>(G-2, G-3)</u>
		(a)	(b)	(c)
<u>Section 1: Variable Default Service Charges, ¢/kWh</u>				
(1)	February 2004	7.679	7.378	7.346
(2)	March 2004	7.289	6.054	6.921
(3)	April 2004	6.075	6.088	5.686
<u>Section 2: Fixed Default Service Charge, ¢/kWh</u>				
(4)	February 2004 - April 2004	7.028	6.514	6.665
<hr/>				
(1)	NEMA G-2,G-3: Page 2, Line (8c), Column (a) SEMA G-2,G-3: Page 3, Line (8c), Column (a) WCMA G-2,G-3: Page 4, Line (8c), Column (a)			
(2)	NEMA G-2,G-3: Page 2, Line (8c), Column (b) SEMA G-2,G-3: Page 3, Line (8c), Column (b) WCMA G-2,G-3: Page 4, Line (8c), Column (b)			
(3)	NEMA G-2,G-3: Page 2, Line (8c), Column (c) SEMA G-2,G-3: Page 3, Line (8c), Column (c) WCMA G-2,G-3: Page 4, Line (8c), Column (c)			
(4)	NEMA G-2,G-3: Page 2, Line (10), Column (d) SEMA G-2,G-3: Page 3, Line (10), Column (d) WCMA G-2,G-3: Page 4, Line (10), Column (d)			

**Massachusetts Electric Company
Nantucket Electric Company**
NEMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
February 2004 - April 2004

Section 1: Percentage of Industrial kWhs Attributable to Default Service in NEMA

(1)	November 2003 Industrial Default Service kWhs in the NEMA Zone	19,089,272
(2)	November 2003 Total Industrial kWhs	885,776,612
(3)	Percentage of NEMA Industrial Default Service kWhs to Total Industrial kWhs	2.16%

Section 2: Projected NEMA Industrial Default Service kWhs, February 2004 - April 2004

		2004			
		<u>February</u>	<u>March</u>	<u>April</u>	<u>Total</u>
		(a)	(b)	(c)	(d)
(4)	Projected Total Company Industrial kWhs	951,282,813	942,163,580	907,204,106	2,800,650,499
(5)	Percentage of NEMA Industrial Default Service kWhs to Total Industrial kWhs	<u>2.16%</u>	<u>2.16%</u>	<u>2.16%</u>	
(6)	Projected NEMA Industrial Default Service kWhs	20,500,989	20,304,461	19,551,054	60,356,503

Section 3: Weighted Average NEMA Industrial Default Service Charge for February 2004 - April 2004

(7)	Projected NEMA Industrial Default Service kWhs	20,500,989	20,304,461	19,551,054	60,356,503
(8a)	NEMA Industrial Default Service Price per kWh (including RSP Compliance)	\$0.07679	\$0.07289	\$0.06075	
(8b)	Estimated Price per kWh of RPS Compliance	<u>\$0.00000</u>	<u>\$0.00000</u>	<u>\$0.00000</u>	
(8c)	Total Estimated NEMA Industrial Default Service Price per kWh	\$0.07679	\$0.07289	\$0.06075	
(9)	Projected NEMA Industrial Default Service Cost, February 2004 - April 2004	\$1,574,271	\$1,479,992	\$1,187,727	<u>\$4,241,990</u>
(10)	Weighted Average NEMA Industrial Default Service Charge, Fixed Price Option, for February 2004 - April 2004				\$0.07028
(11)	Currently Effective NEMA Industrial Default Service Charge, Fixed Price Option				\$0.06008
(12)	Proposed Increase to NEMA Industrial Default Service Charge, Fixed Price Option				\$0.01020

(1)	Per Company billing records based upon Load Zone designation for each customer account
(2)	November 2003 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3)	Line (1) ÷ Line (2)
(4)	Per Company forecast
(5)	Line (3)
(6)	Line (4) x Line (5)
(7)	Line (6)
(8a)	Attachment 1, Industrial
(8b)	Price for RPS compliance included in Line (8a); price for 2 blocks not supplied by supplier assumed as same price as price for 1 block being supplied by supplier.
(8c)	Line (8a) + Line (8b)
(9)	Line (7) x Line (8c)
(10)	Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11)	Per Company tariff
(12)	Line (10) - Line (11)

**Massachusetts Electric Company
Nantucket Electric Company**
SEMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
February 2004 - April 2004

Section 1: Percentage of Industrial kWhs Attributable to Default Service in SEMA

(1)	November 2003 Industrial Default Service kWhs in the SEMA Zone	26,299,651
(2)	November 2003 Total Industrial kWhs	885,776,612
(3)	Percentage of SEMA Industrial Default Service kWhs to Total Industrial kWhs	2.97%

Section 2: Projected SEMA Industrial Default Service kWhs, February 2004 - April 2004

	2004 February (a)	March (b)	April (c)	Total (d)
(4)	Projected Total Company Industrial kWhs	951,282,813	942,163,580	907,204,106 2,800,650,499
(5)	Percentage of SEMA Industrial Default Service kWhs to Total Industrial kWhs	<u>2.97%</u>	<u>2.97%</u>	<u>2.97%</u>
(6)	Projected SEMA Industrial Default Service kWhs	28,244,600	27,973,840	26,935,856 83,154,296

Section 3: Weighted Average SEMA Industrial Default Service Charge for February 2004 - April 2004

(7)	Projected SEMA Industrial Default Service kWhs	28,244,600	27,973,840	26,935,856	83,154,296
(8a)	SEMA Industrial Default Service Price per kWh (including RSP Compliance)	\$0.07378	\$0.06054	\$0.06088	
(8b)	Estimated Price per kWh of RPS Compliance	<u>\$0.00000</u>	<u>\$0.00000</u>	<u>\$0.00000</u>	
(8c)	Total Estimated SEMA Industrial Default Service Price per kWh	\$0.07378	\$0.06054	\$0.06088	
(9)	Projected SEMA Industrial Default Service Cost, February 2004 - April 2004	\$2,083,887	\$1,693,536	\$1,639,855	<u>\$5,417,278</u>
(10)	Weighted Average SEMA Industrial Default Service Charge, Fixed Price Option, for February 2004 - April 2004				\$0.06514
(11)	Currently Effective SEMA Industrial Default Service Charge, Fixed Price Option				\$0.05679
(12)	Proposed Increase to SEMA Industrial Default Service Charge, Fixed Price Option				\$0.00835

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) November 2003 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8a) Attachment 1, Industrial
(8b) Price for RPS compliance included in Line (8a); price for 2 blocks not supplied by supplier assumed as same price as price for 1 block being supplied by supplier.
(8c) Line (8a) + Line (8b)
(9) Line (7) x Line (8c)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

Massachusetts Electric Company
Nantucket Electric Company
WCMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
February 2004 - April 2004

Section 1: Percentage of Industrial kWhs Attributable to Default Service in WCMA

(1)	November 2003 Industrial Default Service kWhs in the WCMA Zone	47,106,593
(2)	November 2003 Total Industrial kWhs	885,776,612
(3)	Percentage of WCMA Industrial Default Service kWhs to Total Industrial kWhs	5.32%

Section 2: Projected WCMA Industrial Default Service kWhs, February 2004 - April 2004

		2004 <u>February</u> (a)	<u>March</u> (b)	<u>April</u> (c)	<u>Total</u> (d)
(4)	Projected Total Company Industrial kWhs	951,282,813	942,163,580	907,204,106	2,800,650,499
(5)	Percentage of WCMA Industrial Default Service kWhs to Total Industrial kWhs	<u>5.32%</u>	<u>5.32%</u>	<u>5.32%</u>	
(6)	Projected WCMA Industrial Default Service kWhs	50,590,286	50,105,315	48,246,131	148,941,732

Section 3: Weighted Average WCMA Industrial Default Service Charge for February 2004 - April 2004

(7)	Projected WCMA Industrial Default Service kWhs	50,590,286	50,105,315	48,246,131	148,941,732
(8a)	WCMA Industrial Default Service Price per kWh (including RSP Compliance)	\$0.07346	\$0.06921	\$0.05686	
(8b)	Estimated Price per kWh of RPS Compliance	<u>\$0.00000</u>	<u>\$0.00000</u>	<u>\$0.00000</u>	
(8c)	Total Estimated WCMA Industrial Default Service Price per kWh	\$0.07346	\$0.06921	\$0.05686	
(9)	Projected WCMA Industrial Default Service Cost, February 2004 - April 2004	\$3,716,362	\$3,467,789	\$2,743,275	<u>\$9,927,426</u>
(10)	Weighted Average WCMA Industrial Default Service Charge, Fixed Price Option, for February 2004 - April 2004				\$0.06665
(11)	Currently Effective WCMA Industrial Default Service Charge, Fixed Price Option				\$0.05679
(12)	Proposed Increase to WCMA Industrial Default Service Charge, Fixed Price Option				\$0.00986

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) November 2003 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
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(8a) Attachment 1, Industrial
(8b) Price for RPS compliance included in Line (8a); price for 2 blocks not supplied by supplier assumed as same price as price for 1 block being supplied by supplier.
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(9) Line (7) x Line (8c)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
Docket D.T.E. 99-60

ATTACHMENT 3

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY

SUPPLEMENT TO TARIFF FOR DEFAULT SERVICE

FOR THE PERIOD NOVEMBER 2003 THROUGH APRIL 2004

In accordance with the terms of the Tariff for Default Service, the rates for Default Service for customers receiving such service from the Company, are as follows. All rates will be applied as a uniform ¢ per kWh charge, for usage on and after the first day of each calendar month.

	Rate Tariff					
	R-1, R-2	G-1	G-2, G-3			S-1, S-2
	<u>R-4, E</u>		<u>SEMA</u>	<u>WCMA</u>	<u>NEMA</u>	<u>S-3, S-5, S-20</u>
Fixed Price Option:	5.702¢	5.732¢	6.514¢	6.665¢	7.028¢	5.732¢
Variable Price Option:						
November 2003	5.428¢	5.438¢	n/a	n/a	n/a	5.438¢
December 2003	5.757¢	5.737¢	n/a	n/a	n/a	5.737¢
January 2004	6.241¢	6.283¢	n/a	n/a	n/a	6.283¢
February 2004	6.085¢	6.152¢	7.378¢	7.346¢	7.679¢	6.152¢
March 2004	5.445¢	5.537¢	6.054¢	6.921¢	7.289¢	5.537¢
April 2004	5.027¢	5.121¢	6.088¢	5.686¢	6.075¢	5.121¢

The Fixed Price Option for Residential and Commercial customer groups (R-1, R-2, R-4, E, G-1, S-1, S-2, S-3, S-5, S-20) is effective for the period November 1, 2003 through April 30, 2004. The Fixed Price Option for the Industrial customer group (G-2, G-3) is effective for the period February 1, 2004 through April 30, 2004.

Effective: February 1, 2004

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department of)	
Telecommunications and Energy on its)	
own motion into the Pricing and)	D.T.E. 99-60
Procurement of Default Service)	
Pursuant to G.L. c. 164, §1B(d))	

**Motion of Massachusetts Electric Company and Nantucket Electric Company
for Confidential Treatment**

Pursuant to Mass. Gen. Laws c. 25, §5D, Massachusetts Electric Company and Nantucket Electric Company (collectively "Company") hereby move for confidential treatment of the analysis of default service bids that the Company received in response to its Request for Power Supply Proposal ("RFP") requesting bids to supply its industrial default service needs for the period February 1, 2004 through April 30, 2004.

The data contained in the rankings constitutes sensitive proprietary information. Protecting this information from public disclosure is in the public interest because disclosure would make public all of the competitive bids received in the RFP process. Although participants understood that the resulting default service rates would be tied to the Companies' supply contract prices, the disclosure of all of the competing bids could have adverse competitive effects on future bids for default service, not only for the Companies, but also for other utilities in the state that will need to seek bids for default service.

Respectfully submitted,
MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
By their attorney,



Amy G. Rabinowitz
25 Research Drive
Westboro, MA 01582

Dated: December 23, 2003

CERTIFICATE OF SERVICE

I hereby certify that on December 23, 2003, I served a copy of the Motion of Massachusetts Electric Company and Nantucket Electric Company for Confidential Treatment on the Service List in D.T.E. 99-60 by personal delivery or first class mail.

Signed under the pains and penalties of perjury

Amy G Rabinowitz

Amy G. Rabinowitz
Attorney for Massachusetts Electric Company and
Nantucket Electric Company

Dated: December 23, 2003